



UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

RALPH GREGORY GIBBS,

Defendant.

Civil Action No. 3:08CV174

COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges as follows:

SUMMARY

1. This matter involves a \$21 million offering fraud and Ponzi scheme perpetrated by Ralph Gregory Gibbs ("Gibbs"), doing business as the Golden Summit Group. From at least April 2005 through February 2007, Gibbs raised these funds from at least 150 investors nationwide through the unregistered offer and sale of securities in the form of investment contracts.

2. In exchange for their investments in Golden Summit Group, Gibbs promised to pay investors interest of 3-5% monthly (up to 60% annually) and guaranteed that investors would not lose their principal. Gibbs further represented that, due to his unique trading expertise, he could generate these exceptional returns by pooling investor funds and subsequently using those funds to trade currencies on the Foreign Exchange Market ("Forex").

3. Gibbs, however, from the outset, operated a Ponzi scheme, which effectively created the illusion for investors that they were investing in a profitable trading program rather

than a fraudulent scheme. As part of this scheme, Gibbs made numerous material misrepresentations and omissions to investors concerning, among other things, the nature of the purported investment, the risks of investing, the use of the investors' proceeds, the source of the investors' returns, and his current and previous trading performance.

4. Of the approximately \$21 million he raised from investors, Gibbs deposited only approximately \$8.1 million into his Forex trading account, where he subsequently lost over \$6.3 million of investor funds through his trading of currencies. To conceal these losses, Gibbs used the cash flow generated from new investments, approximately \$7.5 million, to pay existing investors the returns that he promised them. He also misappropriated over \$2.9 million of investor money to pay for his own personal expenses, including \$1.14 million for a new, custom-built home.

5. In the belief that they would receive large returns on their investments and guaranteed returns of their principal, a significant number of the investors, many of whom were elderly, retired or otherwise living on limited incomes, liquidated their retirement savings or obtained home equity loans to invest the money with Gibbs.

6. By knowingly and recklessly engaging in the conduct described in this Complaint, Gibbs violated and, unless restrained and enjoined, will continue to violate Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

JURISDICTION AND VENUE

7. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. §§ 77t(b) and 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C.

§ 78u(d)] to enjoin such acts, transactions, practices and courses of business, to obtain disgorgement and civil penalties, and to obtain other appropriate relief.

8. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

9. Venue is proper because certain acts, transactions, practices and courses of business constituting the violations alleged herein occurred, and certain offers or sales of securities took place, within the Eastern District of Virginia and elsewhere. In addition, certain offers or sales of securities, acts, transactions, practices and courses of business constituting the violations alleged herein were effected, directly or indirectly, by making use of the means and instruments of transportation or communication in interstate commerce, or of the means and instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange.

DEFENDANT

10. Ralph Gregory Gibbs, age 56, is a resident of New Haven, West Virginia. At all times relevant hereto, Gibbs conducted business under the name of the Golden Summit Group, a sole proprietorship which he controlled.

FACTS

Gibbs Engaged in the Unregistered Offer and Sale of Securities

11. Since at least April 2005 through February 2007, Gibbs, doing business as Golden Summit Group, raised approximately \$21 million from at least 150 people in at least 25 states through the offer and sale of securities.

12. Gibbs conducted his offer and sale of securities by traveling interstate to make personal solicitations, by using the mails, and by using other jurisdictional means.

13. Gibbs informed investors that he would pool investor money and use it to generate profits for himself and his investors through a common enterprise whereby Gibbs would use the pooled funds to trade currencies on the Forex through his personal account at Forex Capital Markets ("FXCM").

14. In exchange for their money, Gibbs provided investors with "Loan Agreements" issued by Golden Summit Group and signed by Gibbs as its President. The agreements, which Gibbs mailed to investors, stated that, for a period of 12 months, Golden Summit Group, at the investor's option, would pay the investor either: (i) a monthly rate of 5% (60% annually), if the investor re-invested the monthly returns; or (ii) a monthly rate of 3% (36% annually), if the investor withdrew his or her returns every 30 days. The agreements also stated that "in the event of Gregory Gibbs' death or incapacitation, all principal and interest will be returned within 30 days." The agreements further required that the investments be made in the form of checks payable to "Golden Summit Group" and sent to Gibbs' home address.

15. Gibbs initially deposited the approximately \$21 million raised from investors into a single bank account held in the name of Golden Summit Group (under Gibbs' social security number) at a federally-regulated bank with offices located in West Virginia. Gibbs wired some of those pooled funds to his personal account at FXCM and subsequently used those pooled funds to trade currencies on the Forex.

16. The investors expected their profits to come solely from the efforts of Gibbs. The investors made none of the decisions regarding the operation of Gibbs' trading program and, other than to provide Gibbs with their money, were not expected to and did not take any action to receive the promised returns.

17. As a result, each "Loan Agreement" offered and sold by Gibbs constituted an investment contract and, therefore, was a "security" pursuant to Section 2(1) of the Securities Act [15 U.S.C. § 77b(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

18. No registration statement was filed with the Commission or was in effect with respect to the securities that Gibbs offered and sold. Further, no exemption from registration applied to the offer and sale of these securities.

**Gibbs Made Material Misrepresentations and Omissions
in Connection with the Offer and Sale of these Securities**

19. Rather than operating a legitimate trading program, Gibbs operated a Ponzi scheme. A Ponzi scheme is a fraudulent investment program which is not truly supported by any underlying business venture. To pay existing investors the promised returns, the promoter uses the cash-flow generated from newly acquired investors. The new money is also often used to mask any investment losses. The promoter uses this illusion of profitability to attract new investors and typically misappropriates some of the investors' money for personal use. Further, when the promoter is unable to attract sufficient new money to make the promised payments, the scheme collapses, resulting in substantial losses for most or all of the investors.

20. In furtherance of this scheme, Gibbs knowingly or recklessly made numerous materially false and misleading statements and omissions to investors regarding, among other things, the nature of the purported investment, the risks of investing, the use of the investors' proceeds, the source of the investors' returns, and his current and previous trading performance.

21. Gibbs represented to current and prospective investors that he was operating a legitimate trading program which, due to his unique trading skill, generated substantial profits for himself and his investors. He repeatedly informed investors that he generated average daily profits in excess of \$100,000. In reality, Gibbs did not generate any sustained profits through his

trading. Rather, he lost over \$6.3 million of \$8.1 million in investor funds through his trading, a fact he never disclosed to current and prospective investors.

22. To further conceal these trading losses and perpetuate the myth that he was a profitable currency trader, Gibbs, on several occasions, mailed, emailed and personally showed potential and current investors misleading trading records which Gibbs had knowingly edited to conceal his trading losses. These falsified records, which Gibbs represented as typical of his trading, created the false impression that he had realized a spectacular string of successful currency trades.

23. Gibbs also represented that he would pay investors their promised returns using the profits from his trading. Because, however, there were no profits, Gibbs used approximately \$7.5 million of new investor money to pay the promised returns to existing investors. By using this tactic, Gibbs effectively concealed his investment losses and maintained the illusion that he was operating a profitable enterprise, thereby attracting new investor money and lulling existing investors.

24. To instill investor confidence, Gibbs also falsely told current and prospective investors that, prior to running the current program, he had a long history of profitably trading foreign currencies, both for himself and others. In fact, Gibbs' other experiences trading foreign currencies had resulted in substantial losses as well.

25. Gibbs told investors that their principal and rates of return were guaranteed. Such assurances were knowingly or recklessly misleading because Gibbs, due to his substantial trading losses and the costs of operating his scheme, lacked the funds to effectuate such guarantees.

26. Gibbs knowingly or recklessly represented that his program was a safe investment in a legitimate trading program. His program was neither safe nor legitimate, but was a financially precarious Ponzi scheme in which many investors lost all or most of their investments.

27. Finally, contrary to his representations that he would invest the funds in the Forex, Gibbs used approximately \$2.9 million of the investor funds to pay for personal expenses, including a new, custom-built \$1.14 million home, a new Mercedes and living and household expenses for himself, his spouse and his children.

CLAIMS FOR RELIEF

First Claim for Relief **Violations of Sections 5(a) and 5(c) of the Securities Act**

28. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1. through 27. above, as if the same were fully set forth herein.

29. From at least April 2005 through February 2007, as a result of the conduct alleged herein, Gibbs, directly or indirectly, in connection with a security for which no registration statement was in effect:

(a) made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell such securities through the use or medium of any prospectus or otherwise;

(b) carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, such securities for the purpose of sale or for delivery after sale; and/or

(c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy such securities through the use or medium of any prospectus or otherwise.

30. By engaging in the foregoing conduct, Gibbs violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

Second Claim for Relief
Violations of Section 17(a) of the Securities Act

31. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1. through 30. above, as if the same were fully set forth herein.

32. From at least April 2005 through February 2007, as a result of the conduct alleged herein, defendant Gibbs, knowingly or recklessly, in the offer or sale of securities by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

- (a) employed a device, scheme, or artifice to defraud;
- (b) obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
and/or
- (c) engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser of securities.

33. By engaging in the foregoing conduct, Gibbs violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

Third Claim for Relief
Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder

34. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1. through 33. above, as if the same were fully set forth herein.

35. From at least April 2005 through February 2007, as a result of the conduct alleged herein, defendant Gibbs, knowingly or recklessly, by the use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national securities exchange, in connection with the purchase or sale of securities:

- (a) employed a device, scheme, or artifice to defraud;
- (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person.

36. By engaging in the foregoing conduct, Gibbs violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

Permanently restrain and enjoin defendant Gibbs, and his agents, officers, servants, employees, attorneys, and those persons in active concert or participation with him, directly or indirectly, singly or in concert, from violating Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

II.

Order defendant Gibbs to disgorge any and all ill-gotten gains, together with prejudgment interest, derived from the activities set forth in this Complaint, in accordance with a plan of disgorgement acceptable to the Court and the Commission.

III.

Order defendant Gibbs to pay civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 78t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], in an amount to be determined by the Court.

IV.

Grant such other and further relief as the Court may deem just and appropriate.

Respectfully submitted,



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Dated: March 19, 2008